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WTO
WTO negotiations on trade in basic telecommunications services concluded in Geneva on February 15, 1997, negotiated among 70 countries covering over 95 percent of world revenues in telecommunications.

WTO negotiations on trade in financial services resumed in Geneva on April 7, 1997. Negotiations are expected to conclude by the end of December 1997, when the Interim Agreement on Financial Services expires.

NAFTA
the United States and Mexico agreed to take several steps to facilitate agricultural trade during President Clinton's state visit to Mexico in early May. Resolution of outstanding concerns affecting implementation of NAFTA provisions on cross-border trucking was not reached, however. Later in May, USTR announced that the United States and Mexico had signed an exchange of letters regarding acceptance of test results. The move should ease two-way trade in telecommunications equipment and brings Mexico in compliance with a NAFTA requirement. In late April, Mexico passed changes to its IPR law that address some of the United States outstanding concerns about a December law's conformity with NAFTA IPR provisions.

Western Hemisphere
Trade ministers of the 34 Western Hemisphere democracies met in Belo Horizonte, Brazil in May 1997 to discuss the next steps toward creation of the Free Trade Area of the Americas (FTAA) by the year 2005. Though they fell somewhat short of their previously announced goal of achieving substantial progress on issues related to the approach, structure, and venue of FTAA negotiations, the trade ministers stated in their May 16, 1997 Joint Declaration their commitment to resolve these issues in time for a planned March 1998 meeting of heads of state in Santiago, Chile. Many Latin American authorities continue to state that they can not be sure of U.S. commitment to the FTAA process until the U.S. Administration obtains "fast track" negotiating authority. Meanwhile, the MERCOSUR partners (Argentina, Brazil, Paraguay, and Uruguay) seek to further consolidate their free trade area before entering into FTAA market access negotiations.

Left unresolved at the Belo Horizonte trade ministerial meeting were two sharply distinct proposals for FTAA negotiations: the United States seeks negotiations to start with immediate talks on market access for goods and services and addressing up front the elimination of tariff and nontariff barriers; in contrast, several Latin American countries prefer to discuss less controversial issues (for example, business facilitation measures such as harmonization of customs procedures) first, leaving market access talks until after 2000.

India
India's prime minister, Mr. I.R. Gujral, announced that India is keen to accelerate moves towards creating a full free-trade zone among the seven nations of South Asia within the next three years.

APEC
At a mid-May 1997 meeting, trade ministers of the Asia-Pacific Economic Cooperation forum agreed to explore market liberalization measures in several specific sectors, following a pattern set with an information technology agreement last year. The group members will study the feasibility of agreements in several industries ranging from environmental goods and services to automotive products to chemicals.

China
In a late May speech, China's President Jiang Zemin called for accelerated reform of state-owned industries. Jiang urged large state firms to move toward allowing minority share holding. The state sector accounts for about one-third of China's production. Last year, losses in the state sector were at least $7.4 billion, up over 40 percent from 1995. Reform of state-owned enterprises has been delayed over fears that restructuring and bankruptcies in the sector would lead to massive unemployment.

United States
The U.S. economy grew by a 5.8 percent ($98.8 billion to $7.1 trillion annual rate) in the first quarter of the year propelled by a 5.7 percent increase in consumer spending and 11.5 percent rise in real nonresidential fixed investment. Real exports of goods and services increased 11.2 percent and real imports increased by 23.2 percent.

Finance ministers and central bankers of the G-7, meeting on May, 1997 discussed the dollar's rise in foreign markets. The fast pace of U.S. economic growth increases the likelihood of further rise in the foreign value of the dollar. Financial observers still expect a further hike in U.S. interest rates by the Federal Reserve Board, even though it declined to raise rates in a May meeting. The result would be a further rise in the foreign value of the dollar. ❑

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INTERNATIONAL TRADE DEVELOPMENTS

United States Engaged in Application of Russia to WTO

At a March 1997 meeting in Helsinki, Finland, with Russian President Boris Yeltsin, President Clinton affirmed U.S. commitment to advance Russia's application for membership in the World Trade Organization (WTO). To that end, the United States has launched bilateral consultations to help smooth Russia's market-oriented economic transition and to help Russia establish a trade regime that will be compatible with WTO provisions.

Bilateral Economic Cooperation

A new era in U.S.-Russian cooperation on trade dates to the June 1990 bilateral Trade Agreement concluded between the United States and the former Soviet Union (the Soviet Union was dissolved in December 1991 and was succeeded by 12 independent states). The Trade Agreement was extended to each of the newly independent states, and became effective with respect to the Russian Federation in June 1992. The centerpiece of the Russian Trade Agreement was the provision of reciprocal most-favored-nation (MFN) tariff treatment—the nondiscriminatory rate of duty that the United States applies unconditionally to imports from most countries (subject to annual Presidential certification of compliance with the freedom-of-emigration (Jackson-Vanik) amendment imposed on nonmarket economy countries of title IV of the Trade Act of 1974). In addition, the agreement called upon Russia to enhance market access for U.S. products and to commit to internationally recognized standards for the protection of intellectual property rights (IPR). A U.S.-Russian Business Development Committee was established in June 1992 to bolster Russia's foreign investment climate and to help remove barriers to trade and investment in Russia.

In April 1993, President Clinton and Russian President Boris Yeltsin announced the creation of a U.S.-Russian Joint Commission on Economic and Technological Cooperation, based on the principles of shared commitments to democracy and human rights, support for market economies and the rule of law, and international peace and stability. The Commission, co-chaired by Vice President Al Gore and Russian Prime Minister Viktor Chernomyrdin—hence the widely used name Gore-Chernomyrdin Commission (GCC)—originally was founded to enhance cooperation in the areas of space and energy. The GCC evolved into a forum for discussion of a wider range of issues related to bilateral trade, investment, and commercial cooperation. The GCC, which convenes approximately twice a year, held its eighth meeting in February 1997. GCC meetings to date have resulted in two major trade agreements—the U.S.-Russia Space Launch Agreement (signed in September 1994 and amended in January 1996), which provides general rules for fair competition in commercial space launches and requires Russia to charge prices comparable to those of Western launch providers, and the Joint Memorandum of Understanding on Market Access for Aircraft (signed in January 1996) to ensure that U.S. manufacturers will be able to participate in the Russian aircraft market.

Presidents Clinton and Yeltsin signed a joint statement on a "Partnership for Economic Cooperation" in September 1994, to serve as a framework for reducing barriers to expanded economic cooperation. This new agreement placed new emphasis on expanding trade and investment, and included a U.S. pledge to provide continued economic support for privatization of government-owned enterprises in Russia. These measures stand to provide further support for bilateral U.S.-Russian trade although, as shown in the table at the top on the next page, Ukraine and Germany remain Russia's leading trade partners.

Table 1

(Billion dollars)

Russia's main trading partners	1994 Exports	1994 Imports	1995 Exports	1995 Imports	1996 Exports	1996 Imports
Total	62.6	38.4	77.4	46.4	83.5	44.3
Ukraine	6.6	4.5	6.8	6.6	7.6	6.2
Germany	5.3	5.6	6.1	6.5	6.7	5.1
United States	3.7	2.0	5.0	2.6	4.7	2.8
China	2.8	0.9	3.4	0.8	4.7	1.0

Russia's WTO Application

Russia began the WTO accession process in June 1993 with the submission of an application for membership in the General Agreement on Trade and Tariffs (GATT), supplemented by a December 1994 application for WTO membership. (The WTO superseded the GATT on January 1, 1995.) WTO accession will require Russia to: (1) to bind all tariffs to an agreed-upon level; (2) to remove all nontariff trade barriers such as quotas, licensing, and state trading restrictions; and (3) to extend these concessions to all contracting parties through adherence to the MFN clause, which is based on the principles of nondiscrimination and reciprocity.

WTO accession procedures require the applicant government to submit a memorandum covering all aspects of the country's trade and economic policies having a bearing on WTO agreements; this memorandum becomes the basis for a detailed examination of the accession request by a WTO working party. The applicant country's commercial laws, internal support and marketing policies, and trade practices are scrutinized; the time required for this examination, which can be lengthy for some countries, depends on the discrepancies between existing policies and WTO trade rules. Alongside the working party's efforts, the applicant government engages in bilateral market access negotiations with interested WTO members to establish that country's list of concessions and commitments on goods and its commitments on services. Russia's application currently is at this stage of the accession process, and Russia has conducted bilateral negotiations with some 20 WTO members. The next step will occur when the results of the working party's deliberations (the basic terms of accession) and the agreed schedules resulting from the bilateral negotiations are presented to the full WTO for approval.

A fifth WTO working party meeting to consider Russia's application convened in April 1997, following two working party meetings during 1996. Russia's treatment of IPR and investment figured prominently during the most recent WTO working party discussions; future working party meetings scheduled for later this year are to address technical barriers to trade, sanitary and phytosanitary measures, government procurement, and agriculture. While Although all sides would like to complete the in-depth review of Russia by yearend, with the possible goal of Russian accession sometime during 1998, the pace of progress has been slow. The Russian Government has been devoting considerable attention and resources to stabilizing and restructuring Russia's economy. Russia's bilateral discussions with the United States recently have focused on launching negotiations on market access, agriculture, and services. Key topics addressed in the WTO working party meetings or in bilateral discussions with the United States, and the state of play in Russia's trade regime in these areas, are summarized below:

Standstill commitment.—Russia has not offered a standstill commitment. Such a commitment, in which Russia would pledge not to improve its negotiating position by imposing measures inconsistent with WTO principles during the accession progress, could be an important sign of Russia's resolve not to raise trade barriers. However, the Russian Government may be concerned that the ongoing adjustments in the domestic economy require keeping all policy options open. Indeed the Economist Intelligence Unit recently reported that Russia faces "difficult decisions over economic policy in the short to medium term and the room for maneeuver is limited."

Tariffs.—Russia has raised import tariffs in several stages, beginning from zero when the Soviet Union collapsed. A 5-percent ad valorem tariff on imports was introduced in 1992 primarily as a means to generate government revenue, and later increased to 15 percent for final goods and 25 percent for luxury goods. Russia currently has an average trade-weighted tariff of 14 percent ad valorem, although tariffs now range as high as 30 percent for some luxury goods. Tariffs have become an increasingly important source of government revenue, and improvements in customs service operations to enforce tariff collection remains a

key element of the Russian Government's economic reform program. One key difficulty facing Russian trade negotiators is their uncertainty about the level of tariff protection needed for Russian industries as market opening leads to pressure from global competition. High tariff and nontariff barriers for aircraft and automobiles are noteworthy examples of problems facing U.S. exporters seeking access to the Russian market.

Customs fees and taxes.—In January 1997, Russia eliminated a policy that applied discriminatory excise taxes to imported luxury goods such as alcoholic beverages, automobiles, and cigarettes. A single rate now applies to domestic and imported products, although in a few instances imports are now taxed at the higher domestic tax rate. Thus, imported alcoholic beverages and automobiles face new, lower excise tax rates, while imported cigarettes now face a new, higher excise tax rate that also applies to domestic cigarettes.

Customs procedures.—While generally consistent with WTO provisions, Russia's customs valuation regulations do not currently include certain aspects of WTO customs valuation agreement (such as lost or damaged imports and prohibited forms of valuation). Complaints are that Russian customs regulations change frequently, without sufficient notice, are subject to arbitrary application, and can be burdensome. In the near term, problems facing the Russian economy and government revenue shortfall make difficult the task of providing stable funding for the customs service.

Government procurement.—The Russian Government has virtually eliminated the former Soviet practice of centralized imports through government-owned foreign trading companies, but an organized system of government procurement with standardized regulations and procedures does not yet exist. Some large-scale trade deals for official needs (such as oil-for-sugar barter arrangements between Russia and Cuba) still take place, but the Russian Government may confer to private or quasi-private trading houses the right to implement such arrangements. The U.S. Embassy in Moscow reports that domestic suppliers are not generally accorded any official advantages or privileges in competing for procurement by Russian Government agencies. However, the Russian Government's strong political bias toward supporting domestic industries often works in favor of Russian suppliers, as demonstrated by President Yeltsin's March 1997 decree prohibiting the procurement of foreign automobiles by government agencies and requirement that the existing stock of imported government vehicles be sold at auction.

Import licenses.—Licenses are required for imports of military equipment, radioactive materials, and precious metals, alloys and stones. Russia recently implemented a nonautomatic licensing system. Working party deliberations have questioned whether the Russian Government's justification of import licensing strictly conforms to WTO provisions.

Labeling.—In December 1996, the Russian Government issued a resolution requiring that all food products for retail sale in Russia be labeled (product name, nutritional content, additives, place and date of production, and the expiry date) in Russian effective May 1, 1997. Several WTO members have complained that the lead time for implementing this food labeling requirement is insufficient to clear the pipeline of food in transit to Russian markets and to fully inform exporters of the new labeling rule. Foreign producers currently supply more than one-half of the food consumed in Russia. While the Russian Government subsequently clarified that the new labeling requirement does not apply to humanitarian food donations, no other extension has been granted.

Investment.—Russia's 1991 investment code guarantees nondiscriminatory treatment to foreign investors, but prior authorization and notification requirements exist and are nontransparent. Restrictions exist on permissible activities for foreign investors; moreover, foreign participation in Russia's privatization program is subject to nontransparent sectoral restrictions (foreign investors reportedly have been restricted from most of the more attractive offerings in the oil, gas, and precious metals sectors). Prior authorization required for investment in new enterprises using assets of existing Russian enterprises, in defense industries and in exploitation of natural resources, and in investments of over 50 million rubles or with foreign ownership to exceed 50 percent. Russia signed a bilateral investment treaty (BIT) with the United States in 1992, when it was approved by the U.S. Senate. The Russian Duma (Parliament) has not yet ratified the BIT legislation, pending before that body since June 1996, reportedly because of concerns regarding the conformity of BIT provisions with Russian domestic law.

IPR.—Russia has taken several steps to strengthen intellectual property right (IPR) protection. The 1992 U.S.-Russian Trade Agreement obligates Russia to implement provisions to safeguard IPR. In 1992 and 1993, Russia enacted laws strengthening the protection of patents, trademarks and appellations of origin, and copyright of semiconductors, computer programs, literary, artistic and scientific works, and audio and visual recordings. In March 1997, President Yeltsin issued a decree providing protection for trade secrets;

corresponding legislation is being drafted in the Duma. Russia has acceded to the major international agreements to protect IPR, including the Universal Copyright Convention, the Paris Convention, the Patent Cooperation Treaty, the Madrid Agreement, and the Berne Convention, although full compliance remains problematic. For example, Russia has not implemented retroactive copyright protection, as required under the Berne Convention. Other concerns about IPR protection in Russia include a lack of protection of well-known trademarks, a discriminatory registration fee imposed on foreign motion pictures, and discriminatory treatment under Russia's plant variety law and law on integrated circuit layout designs. Enforcement of domestic laws to protect IPR also is problematic in Russia, with piracy of intellectual property (affecting among other things broadcast and cable TV signals, sound recordings, videos and video games, and software) a significant concern. U.S. industry representatives reported losses to due to piracy in Russia of $1 billion in 1996. In January 1997, Russia enacted a new criminal code to provide meaningful penalties for commercial piracy; at the same time, Russia also enacted new administrative fines for minor acts of commercial piracy to address problems associated with street vendors.

Russia is not in full compliance with the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS); the WTO accession process requires that countries implement the TRIPS Agreement fully at the time of accession (although some TRIPS obligations are phased in based on a country's level of economic development). On April 30, 1997, United States .S. Trade Representative (USTR) announced that Russia was 1of 10 countries to be placed on the "priority watch list," pursuant to the Special 301 provisions of the Trade Act of 1974. Countries are so listed because they have been determined not to provide adequate and effective IPR protection or market access. Although noting that Russia "continues to take steps to address U.S. intellectual property concerns," USTR reported that Russia was elevated to the priority watch list because "a number of serious problems remain including insufficient progress in improving copyright protection and enforcement," and stated that "Russia's future placement on Special 301 lists will be determined substantially by its willingness to address this important issue."

Services.—Russia's service industries are not well developed. Many service industries lack comprehensive regulatory legislation, and where regulations exist, they often are not enforced. Foreign participation in banking is limited to 12 percent of total banking capital. The relatively immature current state of service industries in Russia and absence of a domestic legislative framework make it difficult for the Russian Government to negotiate a WTO schedule of commitments in services.

State trading.—This has been a difficult issue for negotiators because of the large number of holdover Soviet-era government-owned enterprises, and Russia's ongoing efforts to transform these enterprises into commercial companies. The United States and other WTO members have expressed concern about the government-ownership role in Russian joint-stock companies and their concentration in the foreign trade sector. Russian representatives have replied that not all government-owned enterprises in Russia are state trading enterprises with special rights and privileges as defined in article XVII of the GATT (for example, some utility or energy monopolies). Russia has prepared a list of state-trading enterprises to be notified to the WTO under article XVII.

Safeguards.—Russia has not enacted comprehensive legislation on safeguards, antidumping and countervailing duty actions. Early in 1996 Russia announced a plan to apply quantitative restrictions to imports of ethyl alcohol and vodka. The International Monetary Fund (IMF), which reviews Russia's trade regime under an "extended fund facility" loan program, determined that the Russian Government lacked evidence to support the proposed sharp reduction in imports because the surge in uncontrolled imports and reduced revenue was caused by inadequate tax administration and tax exemptions. In December 1996, following bilateral consultations with the United States, Russia withdrew the previously announced plan to impose safeguard quotas on ethyl alcohol and vodka and, instead, implemented an import-licensing regime for these products effective January 1, 1997. During consultations with Russia, some WTO members have expressed the concern that safeguard actions not be used to protect industries that are not facing injury from imports.

Subsidies.—Russia's agricultural subsidy programs have been addressed by the WTO working party as well as in bilateral consultations. WTO members have urged Russia to provide support to its developing farm sector by means of such non-trade-distorting policies as technology support, research assistance, and infrastructure improvement; they also have requested Russia to provide additional information on non-trade-distorting policies already in place in order to better understand how the policies function and where they should be classified in Russia's agricultural schedule. Measurement of internal support for Russian agriculture using the standard methodology of

calculating the aggregate measure of support is problematic because, among other things, of the lack of historical data to calculate a base for capping and reducing support.

Russia also provides direct budgetary subsidies for coal production. Russia has not instituted export subsidies, but indicated to the working party that it would like to maintain the option to do so in the future.

Technical barriers to trade.—Issues raised in the working party and during bilateral consultations concern the need for Russia to implement policies to promote nondiscrimination, enhanced transparency, reduced burdens to trade. Russia has taken steps to improve the situation by publishing a fee schedule for conformity assessment services and drafting legislation to address problems of multiple certificate requirements. In March 1996, the United States and Russia reached an agreement whereby Russia recognized that the U.S. inspection system for poultry is acceptable for the Russian market; Russia also subsequently withdrew its reference price system that had practically doubled the actual customs value of poultry imports. Attempts to arrive at a testing procedure acceptable to U.S. pork producers and the Russian veterinary department so far have been unsuccessful; consequently, U.S.-origin fresh pork is denied entry into Russia.

The U.S. Embassy in Moscow recently reported that the American Chamber of Commerce has named standards and certification as one of the main obstacles to increased U.S. trade and investment in Russia. U.S. companies have complained of costly procedures and arbitrary certification requirements. Russia is establishing reciprocal standardization with the United States and other countries and acceptance of foreign certification by accredited institutions. A joint U.S.-Russian communiqué of December 1993 pledges cooperation on improving and simplifying certification, testing, and quality assurance of U.S. and Russian products in each others' markets. A February 1994 Memorandum of Understanding between the U.S. Food and Drug Administration and the Russian Ministry of Health and Medical Industry established a framework for cooperation and exchange of information on drugs and biological products in order to facilitate their importation.

Conclusion

According to press reports, Russia may put forward a proposed schedule of tariff commitments as early as the July 1997 WTO working group meeting. As accession talks advance, Russia most probably will increase pressure on the United States to permanently lift the Jackson-Vanik restrictions. Meanwhile, advancement of Russia's WTO accession application remains largely the responsibility of the Russian negotiating team and its ability to complete a commercially viable WTO accession package, as well as the Russian Government's ability to keep economic reforms on track without backpedaling on trade liberalization.

Update on U.S. Issues with the European Union

Veterinary equivalence negotiations

Negotiations to reach a veterinary equivalence agreement continue a long-standing dispute between the United States and the European Union (EU). The EU 1988 Third Country Meat Directive set strict hygiene and inspection standards for foreign meat plants wishing to export to the EU. As a result of the directive, the EU certified U.S. beef and pork processing plants as ineligible to export to the EU. A 1992 "red meat agreement" failed to fully resolve the issue. Subsequent efforts to negotiate an agreement based on the concept of equivalency remain stalled.

The EU had intended to apply to imports new harmonized animal product regulations on January 1, 1997, potentially disrupting U.S. exports of livestock and livestock products. However, the EU delayed implementation of the new regulations until April 1. Despite the delay, negotiators were unable to reach a veterinary equivalence agreement by April 1.

The purpose of the negotiations is to develop a mechanism to facilitate trade in animal products (including, for example, meat, poultry, dairy products, seafood, fish, pet food, as well as rendered products and other animal byproducts) by requiring that each side recognize that the other side's food safety inspection system provides an equal level of safety for the consumer. According to the U.S. Government, the EU is "requiring compliance with its system on a measure-by-measure basis, rather than evaluating the overall system to determine whether it provides an equivalent level of protection for consumers." The EU, on the other hand, believes that it is important to "take the necessary preventive measures at all the appropriate stages during production and processing in order to avoid contamination, instead of trying to remove it once it has happened." In addition, the EU points out that it has successfully concluded technical

agreements with other third countries, including New Zealand, Canada, and the Czech Republic. Only a small number of issues related to meat and poultry inspection remain unresolved.

In the absence of an agreement, on April 1 the U.S. Government notified the EU of a new policy affecting U.S. imports of EU meat and poultry. On that date, U.S. officials announced that on April 15 EU meat and poultry plants would have to be inspected and approved by the U.S. Department of Agriculture's (USDA) Food Safety and Inspection Service prior to exporting to the United States. However, because of progress in the negotiations, USDA postponed imposition of the new policy until April 30.

On April 30, the United States and the EU exchanged letters signaling an accord on veterinary equivalence. As a result, the United States will be able to resume shipping some products that have been blocked since April 1, by the harmonized EU import regulations. The accord also provides the United States with a basis for recognizing the equivalency of EU red meat and pork safety rules, and thus avoiding plans for USDA inspection and approval of EU meat plants that export to the United States. However, neither side has fully recognized the equivalency of the other's inspection systems for poultry. The United States is expected to begin an examination of the EU poultry inspection system in response to the EU continuing to impose certain processing requirements on U.S. exporters that the United States does not consider justified on health or scientific grounds.

Mutual recognition agreements

Despite a January 31, 1997 deadline set by U.S. and EU leaders, negotiators failed to conclude a package of mutual recognition agreements (MRAs). The purpose of an MRA is to permit a product tested and certified as meeting required technical regulations or standards in one country to be sold without further approval in the other country. According to the USTR, at the deadline, an agreement on recreational sports craft was complete. Agreements on telecommunications terminal equipment and information technology equipment, electromagnetic compatibility, and electrical safety were almost complete. An MRA on veterinary biologics is now expected not to be part of the first package of MRAs. The two sectors currently under intense discussion are medical devices and pharmaceutical good manufacturing practices. Both sides hope to complete all six MRAs by the May 28 semiannual summit between U.S. and EU leaders.

Modified starch

On March 8, the USTR initiated a section 301 investigation of EU subsidies adversely affecting U.S. exports of modified starch to Europe. The investigation was initiated in response to a petition filed by the U.S. Wheat Gluten Industry Council on January 22. The petition cited four EU subsidy programs that have allegedly hurt U.S. exports to the EU or resulted in unfairly traded imports on the U.S. market.

The current investigation focuses on the EU starch production refund program, which affects U.S. exports to the EU. USTR chose not to pursue the other allegations in the petition that subsidized imports of EU wheat gluten into the United States are hurting U.S. producers. Instead, the USTR asked the industry to collect additional information that could form the basis for further action and to explore other options for relief, such as U.S. trade laws designed to address such issues (for example, countervailing duty law). Also, the USTR will continue to pursue consultations with the EU about its wheat gluten exports to the United States, as provided for in a bilateral agreement on grains dating from July 1995.

The USTR has delayed requesting consultations with the EU for up to 90 days "for the purpose of verifying and improving the petition to ensure an adequate basis for consultations with the EU."

Bananas

On March 18, a WTO panel for dispute settlement circulated to parties involved in the dispute a confidential interim report examining the EU banana import regime. The leaked document ruled that the EU's banana regulations are inconsistent with WTO agreements.

More than a year ago, the United States, along with Ecuador, Guatemala, Honduras, and Mexico, jointly requested a dispute settlement panel to examine the EU regime for the importation, sale, and distribution of bananas. The panel was established on May 8, 1996. The United States has long condemned the EU banana regime, which entered into force on July 1, 1993 (see *IER*, Dec. 14 and June 94). According to the United States, the EU rules favor bananas from domestic producers and former European colonies in Africa, the Caribbean and the Pacific (ACP countries) rather than cheaper "dollar bananas" from Latin America. The regime imposes duty and quota restrictions on imports of non-ACP bananas (for example, Central and South American) and limits the amount of non-ACP bananas that can be marketed at the in-quota duty rate by

traditional operators (for example, U.S. companies) through a highly complex licensing system. In addition, four Latin American countries signed a Framework Agreement with the EU that increased and guaranteed the volume of their export quotas and, according to U.S. officials, permitted the Latin American signatories to implement a banana export licensing scheme in a manner that would further discriminate against U.S. banana companies in favor of EU firms.

Caribbean leaders have condemned U.S. efforts to change the EU banana regime. They are concerned about losing their preferential access to the EU market, which could significantly hurt their banana industries, the mainstay of many of their economies. The EU has also claimed that the end of the regime would "provoke severe economic hardship and political instability" in the Caribbean region. The United States, on the other hand, believes "the EU can reform its regulations to make them consistent with WTO rules, preserve the economies and democracies of the Caribbean, and provide opportunities for growth to other banana producers." The USTR issued a paper outlining alternative policies to promote growth in the region that are WTO-consistent.

Because the interim report is confidential, the United States and other parties to the dispute have not commented on its findings. The interim report is subject to comments and possible revision before the final report is released to the public, probably by the end of May. On May 14, the EU announced that it was considering appealing the WTO judgement that ruled against its preferential banana import regime. The EU has 60 days in which to lodge an appeal once the final panel report is made public.

Canada-Chile Free Trade Agreement

The lack of U.S. fast-track authority has often been cited as a reason for a lessening in the rate of progress toward a Western hemisphere free-trade agreement. In December 1994 the Summit of the Americas established the year 2005 as the deadline for the accomplishment of the Free-Trade Area of the Americas (FTAA). At that time, the three NAFTA partners—Canada, Mexico, and the United States—announced their intention to expand the trilateral agreement further by including Chile. Lack of fast-track authority prevented the United States from following through on that 1994 commitment.

The third annual FTAA trade ministerial meeting took place in May 1997 in Belo Horizonte, Brazil. At that meeting Ministers discussed various proposals for the timing and the schedule of the FTAA negotiations in order to meet the 2005 deadline; final decisions are expected by the time of a follow-on summit meeting of hemispheric leaders scheduled for March 1998 in Santiago. Although fast-track authority is not essential for the United States to begin any trade negotiation, fast-track is often viewed as a sign of U.S. commitment to the negotiation process. However, one example of movement outside the scope of any U.S. fast track authority is the recently concluded bilateral agreement between Canada and Chile.

Canada initiated negotiations with Chile for accession to the Agreement in June 1995. After the United States was unable to obtain fast-track authority for broadening the NAFTA, the attempt to negotiate Chile's accession to NAFTA was temporarily suspended. Canada resumed negotiations with Chile in late 1995. A Canada-Chile FTA, which is closely patterned on NAFTA market access provisions and rules of origin, was concluded on November 14, 1996. Canada and Chile also signed agreements on labor and the environment, closely patterned on the NAFTA "side agreements" in the same areas, on February 6, 1997; the negotiated Canada-Chile agreements are scheduled to enter into force on June 2, 1997. The Canada-Chile FTA should take effect on June 2, 1997, after legislative approval in both countries.

The Canada-Chile bilateral agreement is viewed by Chile as the most far-reaching trade accord it had signed thus far. The agreement covers more than 80 percent of Canadian industrial exports to Chile. These exports will be duty-free from the inception of the agreement. The 11-percent Chilean duty, levied on all imports, will be eliminated for a broad range of Canadian industrial products. Most Chilean goods already enter Canada duty-free, so the asymmetry in the market access features of the FTA is notable. Duties on certain horticultural, textile and footwear products from Chile will be lowered over a period of 6 years. Chile will also be able to maintain some duties on edible oil, sugar, potato and wheat products for up to 18 years. The Canada-Chile trading relationship is significantly less than that between Canada and the United States. Canada trades more with the United States in a day than it does with Chile in an entire year. Two-way trade between Canada and Chile in 1995 amounted to about $500 million, with Canada's surplus in the relationship amounting to about $380 million. Canadian products shipped to Chile include grains, machinery, minerals, and paper. Chilean products to Canada include fruit, copper, wine, and seafood.

Canadian potential in Chile centers around opportunities for mining, energy, and pulp and paper interests.

Although the bilateral pact does not ensure Chile's accession to NAFTA, the NAFTA was used as a model throughout the negotiations for the Canada-Chile accord. Canada has characterized the bilateral FTA as an "interim" agreement—one that "will provide a bridge to Chile's eventual accession to the NAFTA and create momentum for the broader FTAA initiative." Indeed, NAFTA provisions have also served as a model for the several bilateral agreements which Mexico has negotiated since the inception of NAFTA. On the other hand, certain aspects of the Canada-Chile FTA could complicate the accession process. Among key differences between the Canada-Chile FTA and NAFTA, the Chile-Canada agreement—

- Permits Chile to retain capital control requirements for foreign investors that have been identified by the United States as investment barriers.
- Phases out the use of anti-dumping measures in bilateral trade over a 6-year period; and
- Exempts cultural industries as well as supply-managed agricultural commodities. Both were exempt from NAFTA but have been the focus of U.S.-Canada disputes since NAFTA's entry into force.

Canada and Chile both agreed not to apply antidumping measures against one another. This is a notable element of the accord, and reflects a long-held Canadian position that dumping/predatory pricing within a free trade area should be nonexistent. This particular facet of the agreement is to be phased-in at the same time that tariffs are being phased-out (i.e. during 6 years), and will only apply to those products that have already reached a duty free level.

A major bone of contention during the negotiations preceding the FTA was Chile's requirement that foreign investors must deposit a minimum of 30 percent of the investment they bring into the country with the central bank; such non-interest-bearing reserves are to remain on deposit for a minimum of 1 year. The measure effectively prevents any foreign investor from repatriating all of his investment during the first year. Chile justifies the requirement on the grounds that it acts as an inhibitor to both speculative investments and capital flight. Chile's long-term intention is to relax this investment requirement when its financial system is stronger, but no time frame has yet been determined. The bilateral FTA did not relax the deposit requirement for Canadian direct investments; but it can still be imposed for credit financing. Although the agreement allows Chile to maintain its capital control measures already in place, it effectively includes a "standstill" for Canada. Although, already the second-largest investor in Chile, Canadian companies are now guaranteed against the imposition of measures more restrictive than those already in place.

Furthermore, the bilateral accord tracks the NAFTA model in a number of areas—labor and environmental cooperation, rules of origin, safeguard protection, as well as exemptions in areas such as cultural industries and health. Development of additional similar bilateral agreements by our current NAFTA partners can serve as a positive framework for future NAFTA accession discussion with those signatories; representing progression to an FTAA.

EU-NAFTA Trade

The NAFTA countries make an important trading partner of the EU, particularly because of the membership of the United States. In 1995, EU trade with NAFTA accounted for 21 percent of total extra-EU trade (EU trade with third countries exclusively), of which 18 percent was with the United States, 2 percent with Canada, and almost 1 percent with Mexico.

Total EU-15[1] trade with NAFTA crept up by less than 1 percent between 1994 and 1995, according to statistics recently released by the EU's statistical agency, Eurostat. Total EU imports from the region increased by 5.3 percent in 1995 compared with 1994, but EU exports fell by 3.6 percent. During the same time period, the EU trade balance with NAFTA moved from a surplus of 7.4 billion ecus ($8.8 billion) to a deficit of 2.9 billion ecus ($3.8 billion) (table 2).

Table 2
EU Trade with NAFTA, 1994-95, in billions of US dollars

	1994	1995
	Billion dollars	
EU imports	112.58	118.55
EU exports	119.95	115.63
EU trade balance	7.41	-2.93

Source: Eurostat.

[1] Data are reported for the 15 member states of the EU, except where otherwise indicated.

The 5.3-percent growth in EU imports from NAFTA between 1994 and 1995 was similar to the 5.1-percent growth in total extra-EU imports. However, over the period 1990-1995, imports from NAFTA grew at an annual average of 2.5 percent, compared with a 4.4-percent annual average growth rate for total EU imports. Between 1990 and 1995, the yearly average growth of EU imports from the United States was 2.5 percent, from Canada 3.1 percent, and from Mexico 1.2 percent. Separate statistics reported by Eurostat for the EU-12 show that between 1994 and 1995 EU imports from the United States rose by 5.7 percent and from Mexico by 20.0 percent.

The decline of 3.6 percent in EU exports to NAFTA between 1994 and 1995 contrasted sharply with the 9.2-percent growth in total extra-EU exports. Over the period 1990-1995, EU exports to NAFTA grew at an annual average of 3.5 percent, compared with a 7.8-percent annual average growth rate for total EU exports. Between 1990 and 1995, the yearly average growth of EU exports to the United States was 4.1 percent, to Canada was -0.6 percent, and to Mexico was 1.0 percent. Separate statistics reported by Eurostat for the EU-12 show that between 1994 and 1995 EU exports to the United States fell 1.9 percent and to Mexico decreased 36.9 percent.

Since 1990, the EU trade balance with NAFTA has shifted from deficit to surplus and back to deficit, mirroring the EU trade balance with the United States. In 1995, the EU registered a deficit with NAFTA of 2.9 billion ecus ($3.8 billion). The EU recorded a deficit of 2.6 billion ecus ($3.4 billion) with the United States and 1.6 billion ecus ($2.1 billion) with Canada, and registered a surplus of 1.3 billion ecus ($1.7 billion) with Mexico. The EU has recorded a trade surplus with Mexico in every year since 1990.

In 1995, the United Kingdom, followed by Germany, were the largest EU member-state purchasers of imports from NAFTA, as well as from the United States and Canada. However, Spain imported the most from Mexico. On the export side, Germany and then the United Kingdom were the largest exporters to NAFTA, the United States, and Canada. Germany and France were the top exporters to Mexico.

Manufactured goods represented 78 percent of EU imports from NAFTA in 1995. The top four imports from NAFTA fell in the machinery and transport equipment sector, including more specifically, office machinery and automatic data-processing machinery, electrical machinery and appliances, other transport equipment, and power generating machinery and equipment. The United States was the main provider of the top 20 EU imports from NAFTA. Canada's leading exports were pulp and waste paper, metalliferous ores and metal scrap, and nonferrous metals. Mexico's largest exports to the EU were petroleum and related materials, nonferrous metals, and iron and steel. Between 1994 and 1995, EU imports from NAFTA of pulp and waste paper and oilseeds and oleaginous fruits grew around 50 percent.

In 1995, manufactured goods accounted for 90 percent of EU exports to NAFTA. The top exports to NAFTA all belonged to the machinery and transport equipment sector, including more specifically, road vehicles, machinery specialized for particular industries, electrical machinery apparatus, general industrial machinery, and power-generating machinery and equipment. The top EU exports were fairly similar to NAFTA and each member country.

Recently, EU efforts to deepen its trade relationship with the individual members of NAFTA resulted first in the launching of the New Transatlantic Agenda with the United States in December 1995. One year later, the EU signed a Joint Action Plan with Canada, which is very similar to the U.S. agreement. The EU and Mexico are currently in the process of negotiating an economic, cooperation, and political accord, although progress has been slow.

USITC: The Year in Trade 1996

The U.S. International Trade Commission (USITC) recently released its annual *Year in Trade* report, a comprehensive review of the major U.S. trade-related activities in 1996. This report is the 48th issue in the series, and is a useful reference for government officials and others with an interest in U.S. trade relations.

The World Trade Organization (WTO) completed its second full year of operation in 1996. During December 9-13, 1996, the organization held a Ministerial conference in Singapore at which members reviewed the work of the WTO and made progress on several long-term initiatives. Agreement was reached to eliminate tariffs on trade in certain information technology products by the year 2001, and an initiative was started that could lead to an agreement on transparency practices as part of an effort to fight corruption in government procurement. The Singapore Ministerial declaration renewed commitments by WTO members to observe internationally recognized core labor standards, developed an action plan for least developed countries, urged conclusion of ongoing negotiations to liberalize telecommunications and financial services activities, and agreed to meet time

frames for future negotiations on agricultural market access.

Developments in two important regionals forums are also reported: the North American Free-Trade Area (NAFTA) and the Asian Pacific Economic Cooperation (APEC) forum. NAFTA completed its third full year of operation in 1996. Trade continued to expand and growth resumed in all three partners. In the APEC forum, individual and collective initiatives to fulfill commitments on trade and investment liberalization, facilitation, and technical cooperation were announced.

In addition to covering multilateral and regional trade agreements, the *Year in Trade* reviews bilateral trade issues with major U.S. trading partners during 1996. Noteworthy bilateral trade issues with major U.S. trading partners included the December 1996 resolution of a disagreement with Canada over interpretation of WTO and NAFTA obligations on agricultural trade measures, and the May 1996 conclusion of an agreement that set terms for Canadian exports of softwood lumber to the United States. U.S. bilateral trade relations with the European Union (EU) largely took place in the context of the New Trans-Atlantic Agenda. Progress was made on mutual recognition agreements, customs cooperation, and the information technology agreement. Bilateral disputes continued over the EU meat hormone ban and the EU banana import regime. The U.S. embargo on imports of tuna from Mexico, pursuant to the "dolphin safe" provisions of the U.S. Marine Mammal Protection Act, continued to be a source of bilateral discussion in 1996. Bilateral negotiations with Japan, China, Taiwan, and Korea concentrated on preserving or expanding market access on a wide range of products and services including semiconductors, autos and parts, insurance, film, paper, and services (Japan); intellectual property rights protection (China); medical devices (Taiwan); and telecommunications procurement practices, automobiles, shelf-life standards for imported meats, and import clearance of fruits (Korea). During 1996, the United States remained actively engaged in the WTO accession talks for China and Taiwan.

Annually, the *Year in Trade* provides updates on the operation of such U.S. import programs as the U.S. Generalized System of Preferences, the Caribbean Basin Economic Recover Act, the Andean Trade Preferences Act, and the U.S. textiles and apparel trade program. It also includes complete listings of antidumping, countervailing duty, intellectual property right infringement, and section 301 cases undertaken by the U.S. Government for the calendar year.

The United States took a number of actions in 1996 related to trade and economic sanctions. The Cuban Liberty and Democratic Solidarity (Libertad) Act, also known as the Helms-Burton Act, was signed into law to reinforce economic sanctions against Cuba. This act was the center of disputes with several U.S. trading partners during the year, and prompted the EU to request establishment of a WTO dispute settlement panel. The United States participated in United Nations-directed plans lifting a portion of economic and trade sanctions against certain areas of the former Yugoslavia, and permitting an exception to a global embargo on trade with Iraq to allow petroleum imports from and humanitarian exports to that country.

The *Year in Trade 1996* (USITC publication 3024, April 1997) is available now for downloading from the USITC Internet server at http://www.usitc.gov or ftp://ftp.usitc.gov. A printed copy may be obtained by calling 202-205-1809 or by writing to the Secretary, U.S. International Trade Commission, 500 E Street, SW, Washington, D.C. 20436. Requests also may be faxed to 202-205-2104.

The report also is expected to appear in a future edition of the U.S. Department of Commerce's National Trade Data Bank, at Federal depository libraries in the United States, and at the offices of the U.S. Information Agency abroad.

INTERNATIONAL ECONOMIC COMPARISONS

U.S. Economic Conditions

Real GDP increased by 5.8 percent in the first quarter of 1997. The strong GDP growth was fueled by a surge in consumer and investment spending and exports.

Real personal consumption expenditures increased by 5.7 percent in the first quarter, compared with an increase of 3.4 percent in the fourth quarter. Durable goods purchases increased by 19.3 percent in the first quarter following an increase of 5.0 percent in the fourth quarter; and nondurable goods purchases increased by 4.9 percent, compared with an increase of 1.8 percent in the fourth quarter.

Investment spending more than doubled in the first quarter over the fourth quarter of previous year. Real nonresidential fixed investment increased by 11.5 percent, compared with an increase of 5.5 percent in the fourth quarter. Producers' durable equipment increased by 13.4 percent in contrast with a decrease of 0.9 percent in the previous quarter. Businesses, responding to rising consumer demand, increased their inventory build-up by $34.3 billion in the first quarter following a decrease of $17.0 billion in the fourth quarter.

Exports of goods and services increased by 11.2 percent in the first quarter to a record $886 billion following an increase of 25 percent in the fourth. Imports increased 23.2 percent to $1,013 billion following an increase of 3.3 percent. The trade deficit on goods and services widened in the first quarter to $127 billion from $98.4 billion in the fourth quarter.

Several other major indicators recently released reflect the strong consumer demand and the underlying vitality of the current U.S. economic expansion. The Conference Board reported that the composite index of leading indicators advanced 0.5 percent in February following an increase of 0.3 percent in January. During the 6 months from August 1996 to February 1997, the index increased by 1.1 percent. Nine of the ten leading indicators rose in February. The most significant increases were average weekly initial claims for state unemployment insurance, vendor performance (slower deliveries diffusion index), stock prices, and average factory work week. In addition, the Commerce Department reported that retail sales advanced by 0.2 percent in March over the figures of the previous month. Total retail sales in the first quarter of 1997 rose by a healthy 6.2 percent, higher than in the same quarter a year ago. Moreover, new orders for manufactured goods show a healthy pace. Although they decreased by 3.0 percent in March, new orders increased in February by 0.8 percent and by a 3.8 percent in January. Year to date, new orders are 5.6 percent above the same period a year ago. Shipments of durable goods rose in March for the third consecutive month, increasing by 0.7-percent following a 1.9 percent increase in February. Year-to-date shipments are 7.8 percent above those of the same period a year ago. Unfilled orders decreased by 0.7 percent in March following a 0.6-percent increase in February. March decrease was the first decline since August 1996.

With domestic demand so vibrant, financial observers expect the Fed to raise key interest rates again to keep inflation at bay, despite the fact that inflation, as measured by two major indexes, has thus far shown moderate increases. The consumer price index (CPI) rose a benign (0.1 percent) in March and increased by 2.2 percent in the first quarter as a whole. Another inflationary measure, the gross domestic purchases price index constructed by the Commerce Department, rose by 2.2 percent in the first quarter, down from 2.6 percent increase in the previous quarter.

Higher interest rates will boost bond yields and raise the borrowing costs of business investment and housing. Falling stock prices may weaken consumer confidence and spending and lift the costs of raising investment funds. These developments could put a damper on U.S. economic expansion.

Another Fed hike of interest rates could materialize if domestic demand keeps its fast pace. Most forecasters expect robust economic growth to continue in the second quarter of this year fueled by the same forces—rising personal incomes, job creation, and strong consumer spending. In the views of some economists, however, strong consumer spending has been fueled by capital gains in the stocks and bonds markets more than by rising employment and wages.

Job creation has been particularly helped by the lean level of inventories relative to sales, prompting producers to meet rising demand by new hires. During the past year, stocks of unsold goods have risen by only 1.2 percent while final demand for goods is now up by 4 percent. Orders for durable goods, which increased in February following a large increase in January, coupled with unfilled orders that now stand at the highest level in years, mean that factory output will continue to grow. Factory output advanced and the factory operating rate rose in March (see the section on industrial production). GDP data for the first quarter show that producers have beefed up their inventory buildup to meet domestic demand. Many economists, however, do not expect that such rapid pace of consumer spending and inventory buildup to continue once consumers exhaust a large part of their purchasing power. Explosive growth normally slows down as economic recovery goes further.

Nonetheless, the Fed may not have to slam hard on the brakes to keep growth rates at their noninflationary level of around 2.5 percent annually. Globalization and outsourcing have played important roles in keeping inflation down in most countries. Recent research by the Federal Reserve Bank of Dallas suggests that the link between high industrial operating rates and inflation has been drastically weakened due to increased global capacity and the outsourcing of production. In addition, a large part of the increase in domestic demand has been satisfied by imports which will relieve the pressures on domestic capacity and on domestic prices. This combined with the appreciating value of the dollar should keep domestic price increases relatively moderate.

World Trade

The World Trade Organization (WTO) has released its annual report on world trade in 1996. The report notes that after 2 years of outstanding growth, world trade grew moderately at a rate of 4 percent in 1996, a gain similar to gains recorded in 1990-93. Moderate growth is also expected in 1997 based largely on the projected recovery of economic growth and trade in Western Europe and Asia and continued growth in Latin America. The value of goods exports topped $5 trillion and services exports reached a new high estimated at $1,200 billion. North America's exports of services expanded faster than the world average in 1996.

In 1996, the leading merchandise exporting countries were the United States, (with a share of 11.9 percent of world exports) Germany (9.9 percent), Japan (7.9 percent), France (5.5 percent), the United Kingdom (4.9 percent), Italy (4.8 percent) and Canada (3.8 percent). Leading merchandise importing countries were the United States (with a share of 15.2 percent of world imports), Germany (8.5 percent), Japan (6.5 percent), the United Kingdom (5.2 percent), France (5.1 percent) , Italy (3.8 percent), Hong Kong (3.7 percent, and Canada (3.2 percent). Table 3 shows growth in the value of world merchandise trade by region, 1990-96. Figure 1 shows leading exporters and importers in world merchandise trade.

Outlook for 1997

The volume of world trade in 1997 depends on GDP growth in major trading areas. GDP is projected by the WTO to recover in Western Europe, remain unchanged in North America, and slightly deteriorate in Japan. In China and Asian NICs, growth is projected to pick up slightly, according to the WTO report. If these economic growth projections materialize, world trade is expected to grow faster in 1997 than in 1996, led by a stronger trade performance by Western Europe and expansion of imports in Latin America and developing countries.

U.S. Economic Performance Relative to other Group of Seven (G-7) Members

Economic growth

U.S. real GDP—the output of goods and services produced in the United States measured in 1992 prices— grew at an annual rate of 5.8 percent in the first quarter of 1997 following an increase of 3.8 percent in the fourth quarter of 1996.

The annualized rates of real GDP growth in the first quarter of 1997 was 3.7 percent in the United Kingdom. In the fourth quarter of 1996 GDP growth rates were 2.9 percent in Canada, 0.8 percent in France, 0.3 percent in Germany, and 3.9 percent in Japan. Italy's GDP growth declined by 0.4 percent.

Industrial production

The Federal Reserve Board reported that U.S. industrial production (IP) increased by 0.9 percent in March 1997, after having increased by 0.6 percent in February. The increase resulted from gains in the production of durable manufactures—consumer goods, business equipment, construction supplies, and durable materials. Manufacturing output increased by 0.9 percent in March, and was 6.6 percent higher than in

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Table3
Growth in the value of world merchandise trade by region, 1990–96

Region	Exports (fo.b.)				Imports (c.i.f.)			
		Annual percentage change				Annual percentage change		
	Value 1996	1990–1996	1995	1996	Value 1996	1990–1996	1995	1996
World	5,100	7.0	19.5	4.0	5,240	7.0	19.0	4.0
NorthAmenca	826	8.0	14.5	6.5	995	7.5	11.0	5.5
UnitedStates	625	N/A	N/A	6.8	818	N/A	15.2	6.1
Canada	201	N/A	N/A	4.7	175	N/A	3.9	3.9
LatinAmenca	250	9.5	21.5	11.5	272	13.5	11.5	11.0
Mexico	96	15.0	31.0	20.5	90	14.5	–10.0	23.5
OtherLatinAmerica	154	6.5	17.0	6.5	182	13.5	24.5	5.5
Western Europe	2,271	5.5	22.5	3.0	2,210	4.5	21.0	1.5
EuropeanUnion(15)	2,103	5.5	23.0	3.0	2,031	4.5	20.5	1.0
Germany	521	N/A	N/A	–0.3	456	N/A	N/A	–1.5
Transition economies	171	7.0	29.0	6.0	172	5.5	25.0	12.5
Central/Eastern Europe	81	6.5	26.5	2.0	109	12.0	29.5	12.5
Africa	113	1.5	12.5	8.5	127	5.0	18.0	5.5
South Africa	28	3.0	10.5	2.0	30	8.5	30.5	–0.5
Middle East	160	3.0	13.0	12.5	146	6.5	13.0	10.0
Asia	1,310	10.0	18.0	1.0	1,315	11.0	23.0	4.5
Japan	413	6.0	11.5	–7.0	350	7.0	22.0	4.0
China	151	16.0	23.0	1.5	139	17.5	14.0	5.0
Six EastAsian traders[1]	531	12.0	23.0	3.0	580	13.0	26.0	3.0

[1] Hong Kong, the Republic of Korea, Malaysia, Singapore, Chinese Tapei, and Thailand.

Source: World Trade Organization (WTO) Press release 7, April 4, 1997.

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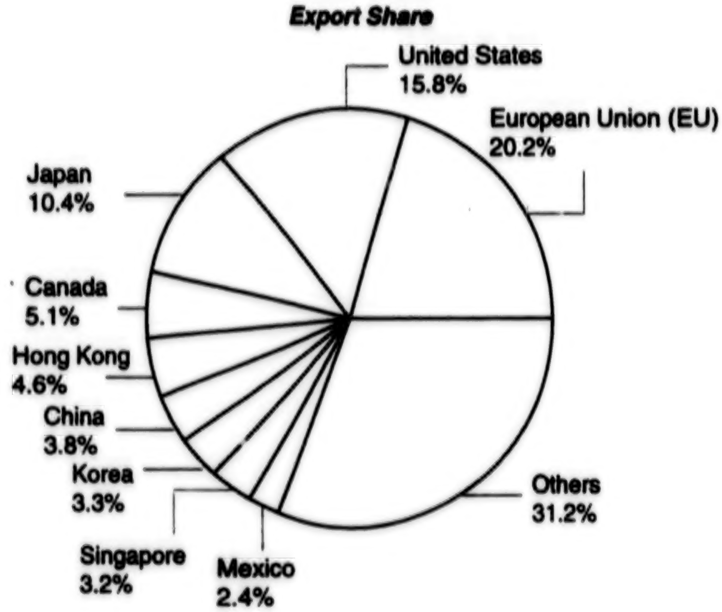
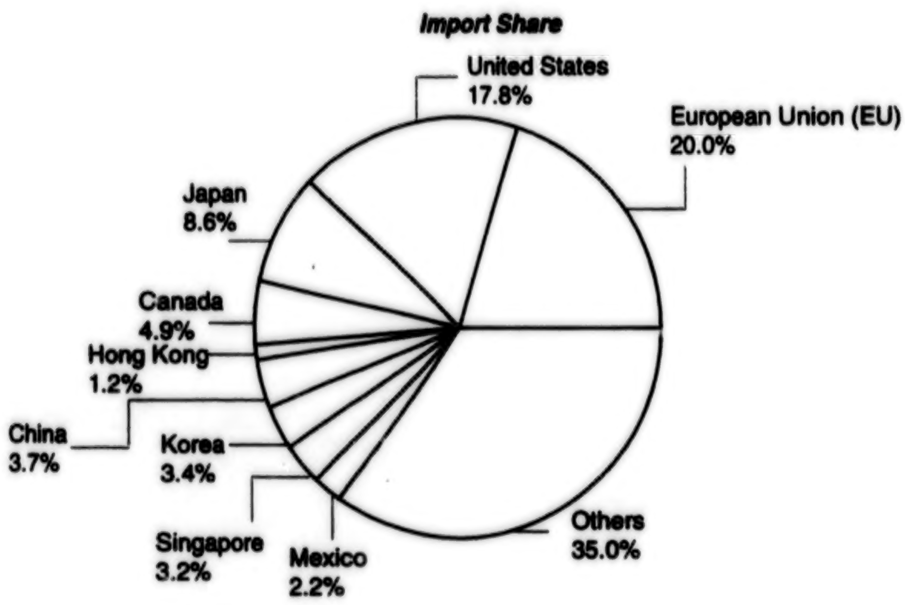
Figure 1
Leading exporters and importers in world merchandise trade, 1996





Source: WTO, 1996.

March 1996. Total industrial production in March 1997 was 5.6 percent higher than it was in March 1996. In the first quarter of 1997, industrial production grew at a 5.6 percent annual rate following a 4.5 percent increase in the fourth quarter of 1996. Total industrial capacity utilization edged up 0.5 percentage point, to 84.1 percent and was 3.7 percent higher than in March 1996.

Other Group of Seven (G-7) member countries reported the following growth (or declines) in rates of industrial production. For the year ending March 1997, Japan reported a 8.0-percent increase. For the year ending February 1997, Canada reported a 3.9-percent increase, France reported a 1.8-percent increase, Germany reported a 7.1-percent increase, the United Kingdom reported a 1.5-percent increase, but Italy reported a 3.8- percent decrease.

Prices

The seasonally adjusted U.S. Consumer Price Index (CPI) rose 0.1 percent in March 1997 following a 0.3 percent increase in February. For the 12-month period ended in March 1997, the CPI increased by 2.8 percent.

For other G-7 countries the latest price changes were as follows. Prices increased by 2.0 percent in Canada, 1.1 percent in France, 1.5 percent in Germany, 2.2 percent in Italy, 0.5 percent in Japan, and 2.6 percent in the United Kingdom.

Employment

The Bureau of Labor Statistics reported that employment rose, and the unemployment rate was about unchanged in March and then declined in April. Nonfarm payroll employment increased by 175,000 in March and by 142,000 in April, and average hourly earnings rose by 5 cents in March but edged down by 1 cent in April. In April the seasonally adjusted unemployment rate declined to 4.9 percent from 5.2 percent in March. Jobless rates for the major demographic groups declined in April. The jobless rate for adult women declined by 0.3 percent to 4.4 percent, the rate for blacks fell by 0.9 percent to 9.8 percent, and the rate for whites dropped by 0.3 point to 4.2 percent.

Nonfarm payroll employment rose by 175,000 in March to 121.5 million, and by 142,000 in April after seasonal adjustment. Job gains in a variety of service-providing industries were somewhat offset by losses in construction and manufacturing. The services industry added 111,000 jobs in March and 93,000 jobs in April. Employment in business services rose by 58,000 in March and by 19,000 in April, as expansion in computer and data processing services continued its robust growth. Employment in health services increased by 22,000, led by a sizable advance in hospitals. Employment in retail trade increased by 43,000 in March and by 32,000 in April. Eating and drinking places had a large employment decline in March , after seasonal adjustment, but added 46,000 jobs in April. Employment in finance continued to grow in March and April, primarily in banks, security brokerages, and mortgage brokerages, real estate and insurance. Wholesale trade posted a large job gain for the second month in a row in March but remained unchanged in April.

Manufacturing employment edged up by 16,000 in March, but declined by 14,000 in April with the largest increases occurring in lumber and industrial machinery. Motor vehicles and equipment lost 13,000 jobs in April, mostly due to temporary shutdowns for inventory control and workers strikes. Employment growth continued in industrial machinery, fabricated metals, and aircraft, adding a total of 14,000 jobs over the month of April and 103,000 jobs over the past year. Average hourly earnings of private production workers edged down 1 cent in April to $12.14 seasonally adjusted following gains totaling 11 cents in the first quarter. Average weekly earnings were down 0.9 percent to $420 in April. Over the past year, average hourly earnings increased by 3.6 percent and average weekly earnings rose by 4.5 percent.

In other G-7 countries, their latest unemployment rates were as follows: 9.3 percent in Canada, 12.8 percent in France, 11.2 percent in Germany, 11.9 percent in Italy, 3.3 percent in Japan, and 6.1 percent in the United Kingdom.

Forecasts

Six major forecasters expect real growth in the United States to average around 2.5 percent (at an annual rate) in the seond and third quarters of 1997. Table 4 shows macroeconomic projections for the U.S. economy from January to December 1997, and the simple average of these forecasts. Forecasts of all the economic indicators, except unemployment, are presented as percentage changes over the preceding quarter, on an annualized basis. The forecasts of the unemployment rate are averages for the quarter.

The average of the forecasts points to an unemployment rate of 5.3 percent in the first half of the year. Inflation (as measured by the GDP deflator) is expected to remain subdued at an average rate of about 2.4 percent.

Table 4
Projected changes of selected U.S. economic indicators, by quarters, Jan.-Dec. 1997
(Percentage)

Period	Conference Board	E.I. Dupont	UCLA Business Forecasting Project	Merrill Lynch Capital Markets	Data Resources Inc. (D.R.I.)	Wharton WEFA Group	Mean of 6 forecasts
	GDP current dollars						
1997:							
Jan.-Mar	6.3	4.8	4.5	5.9	6.4	5.3	5.5
Apr.June	5.6	5.7	5.0	4.5	5.1	5.1	5.2
July-Sep	6.4	4.9	4.7	4.4	4.9	4.3	4.9
Oct.-Dec	5.3	4.9	4.6	3.8	4.5	3.7	4.5
	GDP constant (chained 1992) dollars						
1997:							
Jan.-Mar.	3.4	2.3	1.6	3.9	4.2	3.0	3.1
Apr.-June	2.3	2.6	2.2	2.5	3.2	2.3	2.5
July-Sep	3.0	2.4	2.3	2.2	3.1	1.8	2.5
Oct.-Dec	2.3	2.3	2.3	1.6	2.7	1.6	2.1
	GDP deflator index						
1997:							
Jan.-Mar	2.8	2.5	2.9	2.0	2.1	2.2	2.4
Apr.-June	3.2	2.5	2.7	1.8	1.8	2.7	2.5
July-Sep	3.3	2.5	2.3	2.2	1.8	2.4	2.4
Oct.-Dec	2.9	2.1	2.3	2.2	1.8	2.1	2.2
	Unemployment, average rate						
1997:							
Jan-Mar	5.3	5.2	5.3	5.3	5.2	5.3	5.3
Apr.-June	5.1	5.3	5.4	5.2	5.2	5.3	5.3
July-Sep	5.0	5.3	5.5	5.2	5.2	5.3	5.3
Oct.-Dec	4.8	5.3	5.5	5.4	5.2	5.3	5.3

Note.—Except for the unemployment rate, percentage changes in the forecast represent annualized rates of change from preceding period. Quarterly data are seasonally adjusted. Forecast date, April 1997.

Source: Compiled from data of the Conference Board. Used with permission.

U.S. TRADE DEVELOPMENTS

The U.S. Department of Commerce reported that seasonally adjusted exports of goods and services of $76.5 billion and imports of $85.0 billion in March 1997 resulted in a goods and services trade deficit of $8.5 billion, 19.1 percent ($2.0 billion) lower than the $10.5 billion deficit of February 1997. The March 1997 deficit was approximately $0.5 billion more than the deficit registered in March 1996 ($8.0 billion) and $1.6 billion less than the average monthly deficit registered during the previous 12 months (approximately $10.1 billion).

The March 1997 trade deficit on goods was $15.1 billion, approximately $2.0 billion less than the February 1997 deficit ($17.0 billion). The March 1997 services surplus was $6.6 billion, virtually equal to the February services surplus.

Seasonally adjusted U.S. trade in goods and services in billions of dollars as reported by the U.S. Department of Commerce is shown in table 5. Nominal export changes and trade balances for specific major commodity sectors are shown in table 6. U.S. exports and imports of goods with major trading partners on a monthly and year-to-date basis are shown in table 7, and U.S. trade in services by major category is shown in table 8.

Table 5
U.S. trade in goods and services, seasonally adjusted, Jan.-March 1997

(Billion dollars)

Item	Exports		Imports		Trade balance	
	Mar. 1997	Feb. 1997	Mar. 1997	Feb. 1997	Mar. 1997	Feb. 1997
Trade in goods (BOP basis)						
Current dollars—						
Including oil	56.6	54.1	71.7	71.1	-15.1	-17.0
Excluding oil	56.8	53.9	64.2	64.2	- 7.4	-10.3
Trade in services						
Current dollars	19.9	19.4	13.3	12.9	6.6	6.5
Trade in goods and services						
Current dollars	76.5	73.5	85.0	84.0	- 8.5	-10.5
Trade in goods (Census basis)						
1992 dollars	62.6	59.7	75.3	75.0	-12.7	-15.3
Advanced-technology products (not season ally adjusted)	16.3	12.9	11.9	10.2	4.4	2.7

Note.—Data on goods trade are presented on a balance-of-payments (BOP) basis that reflects adjustments for timing, coverage, and valuation of data compiled by the Census Bureau. The major adjustments on BOP basis exclude military trade but include nonmonetary gold transactions, and estimates of inland freight in Canada and Mexico, not included in the Census Bureau data.

Source: U.S. Department of Commerce News, (FT 900), May 21, 1997.

Table 6
Nominal U.S. exports and trade balances, of agriculture and specified manufacturing sectors, Jan. 1996-Mar. 1997

	Exports		Change	Share of total, Jan.-Mar. 1997	Trade balances	
	Mar. 1997	Jan-Mar 1997	Jan.-Mar. 1997 over Jan.-Mar. 1996		Jan.-Mar. 1997	Jan.-Mar 1996
	Billion dollars		Percentage		Billion dollars	
ADP equipment & office machinery	4.0	10.4	-1.0	6.3	-6.4	-5.4
Airplanes	2.8	5.5	89.7	3.3	4.7	1.9
Airplane parts	1.1	3.1	14.8	1.9	2.0	2.0
Electrical machinery	5.4	15.3	7.7	9.3	-2.9	-5.3
General industrial machinery	2.7	7.3	15.5	4.4	0.9	0
Iron & steel mill products	0.5	1.4	7.7	0.9	-2.1	-1.7
Inorganic chemicals	0.4	1.2	20.0	0.7	-0.1	-0.2
Organic chemicals	1.3	4.0	5.3	2.4	-0.2	-0.1
Power-generating machinery	2.4	6.6	20.0	4.0	0.7	0.1
Scientific instruments	2.2	5.7	11.8	3.5	2.6	2.2
Specialized industrial machinery	2.5	6.6	4.8	4.0	1.8	1.5
TVs, VCRs, etc	2.0	5.1	10.9	3.1	-2.5	-2.6
Textile yarns, fabrics and articles	0.8	2.1	10.5	1.3	-0.6	-0.4
Vehicle parts	5.0	13.6	13.3	8.3	-14.4	-12.9
Manufactured exports not included above	15.3	41.6	9.0	25.3	- 20.6	-19.1
Total manufactures	48.4	129.5	11.4	78.7	-37.1	-40.0
Agriculture	4.8	14.6	-8.8	9.0	5.8	8.0
Other exports not included above	7.5	20.4	-2.9	12.3	-6.4	-0.1
Total exports of goods	60.7	164.5	7.3	100.0	-37.7	-32.1

Note.—Because of rounding, figures may not add to the totals shown. Data are presented on a Census basis.

Source: U.S. Department of Commerce News, (FT 900), May 21, 1997.

Table 7
U.S. exports and imports of goods with major trading partners, Jan. 1996-Mar. 1997
(Billion dollars)

Country/area	Exports Mar. 1997	Exports Jan.-Mar. 1997	Exports Jan.-Mar. 1996	Imports Mar. 1997	Imports Jan.-Mar. 1997	Imports Jan.-Mar. 1996	Trade Balances Jan.-Mar. 1997	Trade Balances Jan.-Mar. 1996
North America	18.4	52.6	46.0	21.2	60.9	54.2	-8.3	-8.2
Canada	12.9	36.9	33.0	14.2	41.3	37.5	-4.4	-4.5
Mexico	5.5	15.7	13.0	6.9	19.6	16.7	-3.9	-3.7
Western Europe	14.9	39.1	35.4	14.5	39.8	37.1	-0.7	-1.7
European Union (EU-15)	13.3	35.6	32.0	13.2	36.2	33.6	-0.6	-1.6
France	1.4	3.9	3.7	1.6	4.6	4.4	-0.7	-0.7
Germany	2.3	6.2	6.0	3.7	10.0	9.1	-3.8	-3.1
Italy	0.8	2.3	2.4	1.7	4.5	4.4	-2.2	-2.0
United Kingdom	3.8	9.7	7.4	2.6	7.6	6.7	2.1	0.7
European Free-Trade Association (EFTA)	1.2	2.5	2.4	1.1	2.9	2.9	-0.4	-0.5
Former Soviet Republic/Eastern:								
Europe	0.8	1.8	1.9	0.7	1.9	1.3	-0.1	0.6
Russia	0.3	0.7	0.9	0.4	1.0	0.6	-0.2	0.3
Pacific Rim Countries	17.3	46.8	46.2	24.1	71.1	68.6	-24.3	-22.4
Australia	1.1	2.9	3.0	0.3	1.0	0.8	2.0	2.2
China	1.0	2.8	3.1	3.6	12.5	10.1	-9.7	-7.0
Japan	6.1	16.7	17.0	10.7	29.8	28.8	-13.1	-11.8
NICs	7.2	18.9	18.0	6.5	19.0	20.4	-0.1	-2.4
South/Central America	5.2	13.9	11.7	4.4	13.0	11.0	0.9	0.7
Argentina	0.5	1.2	1.0	0.2	0.6	0.5	0.6	0.5
Brazil	1.3	3.4	2.6	0.8	2.4	2.1	1.0	0.5
OPEC	2.1	5.3	5.0	3.5	10.8	8.8	-5.5	-3.8
Total	60.7	164.5	153.3	70.1	202.2	185.4	-37.7	-32.1

[1] EFTA includes Iceland, Liechtenstein, Norway, and Switzerland.
[2] The newly industrializing countries (NICs) include Hong Kong, the Republic of Korea, Singapore, and Taiwan.

Note.— Country/area figures may not add to the totals shown because of rounding. Exports of certain grains, oilseeds, and satellites are excluded from country/area exports but included in total export table. Also some countries are included in more than one area. Data are presented on a Census Bureau basis.

Source: U.S. Department of Commerce News, (FT 900), May 21, 1997.

Table 8
Nominal U.S. exports and trade balances of services, by sectors, Jan. 1996-Mar. 1997, seasonally adjusted

	Exports Jan.-Feb. 1997	Exports Jan.-Feb. 1996	Change Jan.-Feb. 1997 over Feb. 1996	Trade balances Jan.-Feb. 1997	Trade balances Jan.-Feb. 1996
	— Billion dollars —		Percentage	— Billion dollars —	
Travel	17.1	16.2	5.6	4.2	4.0
Passenger fares	5.1	4.9	4.1	1.3	1.4
Other transportation	7.6	7.0	8.6	0.1	0.1
Royalties and license fees	7.3	7.2	1.4	5.7	5.6
Other private services[1]	17.4	16.5	5.5	7.5	7.5
Transfers under U.S. military sales contracts	4.0	3.1	29.0	1.1	0.5
U.S. Govt. miscellaneous service	0.2	0.3	-33.3	-0.5	-0.4
Total	58.6	55.1	6.3	19.4	18.7

[1] "Other private services" consists of transactions with affiliated and unaffiliated foreigners. These transactions include educational, financial, insurance, telecommunications, and such technical services as business, advertising, computer and data processing, and other information services, such as engineering, consulting, etc.

Note. Services trade data are on a balance-of-payments (BOP) basis. Numbers may not add to totals because of seasonal adjustment and rounding.

Source: U.S. Department of Commerce News, (FT 900), May 21, 1997.

STATISTICAL TABLES

Indexes of industrial production, by selected countries and by specified periods, Jan. 1993-Mar. 1997

(Total industrial production, 1991=100)

				1996							1997			
Country	1994	1995	1996	I	II	III	IV	Oct.	Nov.	Dec.	I	Jan	Feb.	Mar.
United States[1]	108.6	112.1	115.2	123.3	125.1	126.7	117.0	116.2	117.2	117.7	118.5	117.7	118.1	119.6
Japan	93.1	96.0	98.7	96.9	96.0	99.3	102.7	102.4	102.8	102.5	(2)	95.9	(2)	(2)
Canada[3]	105.5	107.6	109.3	105.1	108.7	112.8	111.1	114.1	112.1	107.0	(2)	(2)	(2)	(2)
Germany	93.9	95.9	96.0	94.0	95.0	93.9	101.2	102.6	102.7	97.4	(2)	(2)	(2)	(2)
United Kingdom	103.3	105.9	107.6	111.5	104.4	101.3	113.1	115.6	113.7	110.1	(2)	(2)	(2)	(2)
France	97.5	99.0	99.7	103.9	100.2	91.4	104.2	109.0	103.2	100.5	(2)	(2)	(2)	(2)
Italy	102.2	107.8	104.8	110.1	111.6	90.9	106.7	109.6	113.2	97.3	(2)	(2)	(2)	(2)

[1] 1992=100.
[2] Not available.
[3] Real domestic product in industry at factor cost and 1986 prices.

Source: *Main Economic Indicators*, Organization for Economic Cooperation and Development, March 1997, *Federal Reserve Statistical Release*, April 6, 1997.

Consumer prices, by selected countries and by specified periods, Jan. 1994-Mar. 1997

(Percentage change from same period of previous year)

				1996										1997			
Country	1994	1995	1996	II	III	IV	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	I	Jan.	Feb.	Mar.
United States	2.6	2.8	3.0	2.9	2.9	3.2	2.8	3.0	2.9	3.0	3.0	3.3	3.3	2.9	3.0	3.0	2.8
Japan	0.7	-0.1	0.2	0.4	0.2	0.5	0.0	0.4	0.2	0.0	0.5	0.6	0.6	0.5	0.6	0.5	0.5
Canada	0.2	1.7	1.6	1.5	2.0	1.5	1.2	1.4	1.5	1.8	2.0	2.2	2.2	2.1	2.2	2.2	2.0
Germany	3.0	1.7	1.4	1.3	1.4	1.4	1.2	1.3	1.4	1.4	1.5	1.4	1.4	1.7	1.9	1.7	1.6
United Kingdom	2.5	3.4	2.4	2.4	2.2	2.6	2.1	2.2	2.1	2.1	2.7	2.7	2.5	2.7	2.8	2.7	2.6
France	1.7	1.7	2.0	2.4	1.8	1.7	2.3	2.3	1.6	1.6	1.8	1.6	1.7	1.5	1.8	1.6	1.1
Italy	1.0	5.2	3.9	4.5	3.4	2.9	3.9	3.6	3.3	3.4	3.1	2.8	2.7	2.6	2.8	2.6	2.4

Source: *Consumer Price Indexes, Nine Countries*, U.S. Department of Labor, May 1997.

Unemployment rates (civilian labor force basis)[1], by selected countries and by specified periods, Jan. 1994-Mar. 1997

				1996									1997			
Country	1994	1995	1996	II	III	IV	July	Aug.	Sept.	Oct.	Nov.	Dec.	I	Jan.	Feb.	Mar.
United States	6.1	5.6	5.4	5.4	5.2	5.3	5.4	5.1	5.2	5.2	5.4	5.3	5.3	5.4	5.3	5.2
Japan	2.9	3.2	3.4	3.5	3.4	3.3	3.4	3.4	3.3	3.4	3.3	3.3	(2)	3.3	3.4	(2)
Canada	10.4	9.5	9.7	9.6	9.7	9.9	9.8	9.4	9.9	10.0	10.0	9.7	9.6	9.7	9.7	9.3
Germany	6.5	6.5	7.2	7.1	7.2	7.5	7.1	7.2	7.3	7.4	7.5	7.6	(2)	7.8	7.8	(2)
United Kingdom	9.6	8.8	8.3	8.4	8.2	8.0	8.1	8.1	8.0	7.8	7.4	7.8	7.5	7.7	7.4	7.2
France	12.3	12.3	12.5	12.1	12.7	12.8	12.2	12.3	12.8	12.8	12.9	12.8	(2)	(2)	(2)	(2)
Italy	11.4	12.0	12.1	12.5	11.9	12.0	11.9	(3)	(3)	(3)	(3)	(3)	(2)	12.3	12.3	(3)

[1] Seasonally adjusted; rates of foreign countries adjusted to be comparable with the U.S. rate.
[2] Not available.
[3] Italian unemployment surveys are conducted only once a quarter, in the first month of the quarter.

Source: *Unemployment Rates in Nine Countries*, U.S. Department of Labor, May 1997.

Money-market interest rates,[1] by selected countries and by specified periods, Jan. 1994-April 1997

(Percentage, annual rates)

Country	1994	1995	1996	1996 II	III	IV	Aug.	Sept.	Oct.	Nov.	Dec.	1997 I	Jan.	Feb.	Mar.	Apr.
United States	4.6	5.8	5.4	5.3	5.5	5.4	5.5	5.5	5.4	5.3	5.4	5.4	5.4	5.3	5.5	5.7
Japan	2.2	1.2	.5	0.6	0.6	0.5	0.6	0.5	0.5	0.5	0.5	(2)	0.5	0.5	(2)	(2)
Canada	5.5	7.1	4.4	4.9	4.3	3.2	4.3	4.1	3.5	3.0	3.1	(2)	3.1	3.1	(2)	(2)
Germany	5.2	4.4	3.2	3.2	3.2	3.0	3.2	3.0	3.0	3.0	3.1	(2)	3.0	3.0	(2)	(2)
United Kingdom	5.4	6.6	5.9	5.9	5.7	6.1	5.7	5.7	5.9	6.2	6.3	(2)	6.2	6.1	(2)	(2)
France	5.7	6.4	3.8	3.8	3.7	3.3	3.8	3.6	3.3	3.3	3.3	(2)	3.2	3.2	(2)	(2)
Italy	8.4	10.4	8.7	9.0	8.6	7.5	8.7	8.4	7.9	7.4	7.2	(2)	7.2	7.3	(2)	(2)

[1] 90-day certificate of deposit.
[2] Not available.

Source: *Federal Reserve Statistical Release*, May 5, 1997; *Federal Reserve Bulletin*, April 1997.

Effective exchange rate of the U.S. dollar, by specified periods, Jan. 1994-May 1997

(Percentage change from previous period)

Item	1994	1995	1996	1996 II	III	IV	Sept.	Oct.	Nov.	Dec.	1997 I	Jan.	Feb.	Mar.	Apr.	May
Unadjusted:																
Index[1]	98.5	92.9	97.5	97.6	97.4	98.2	97.8	98.2	97.3	99.0	103.2	100.9	103.9	104.9	106.2	104.1
Percentage change .	-1.6	-5.6	4.6	1.2	-.2	.8	.9	.4	-.9	1.7	5.0	1.9	3.0	1.0	1.3	-2.1
Adjusted:																
Index[1]	101.5	93.9	100.3	100.3	100.7	101.7	101.3	101.5	100.6	102.7	106.6	104.9	107.2	108.2	108.3	106.0
Percentage change	-2.7	-7.4	6.4	2.4	.4	1.0	1.1	.2	-.8	2.1	4.9	2.2	2.3	1.0	0.1	-2.3

[1] 1990 average=100.

Note.—The foreign-currency value of the U.S. dollar is a trade-weighted average in terms of the currencies of 18 other major nations. The inflation-adjusted measure shows the change in the dollar's value after adjusting for the inflation rates in the United States and in other nations; thus, a decline in this measure suggests an increase in U.S. price competitiveness.

Source: Morgan Guaranty Trust Co. of New York, May 1997.

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Merchandise trade balances, by selected countries and by specified periods, Jan. 1994-Mar. 1997

(In billions of U.S. dollars, exports less imports [f.o.b - c.i.f], at an annual rate)

Country	1994	1995	1996	1996 II	1996 III	1996 IV	1996 Oct.	1996 Nov.	1996 Dec.	1997 I	1997 Jan.	1997 Feb.	1997 Mar.
United States[1]	-150.6	-159.6	-166.6	-161.1	-183.2	-161.7	-152.4	-152.5	-183.8	-184.3	-210.6	-190.8	-151.4
Japan	121.2	106.0	68.2	54.4	58.0	68.2	55.0	95.7	54.0	(2)	(2)	(2)	(2)
Canada[3]	17.0	27.8	30.7	33.8	34.8	22.8	21.7	20.8	25.8	(2)	(2)	(2)	(2)
Germany	45.6	63.6	(2)	55.2	72.8	(2)	70.0	73.8	(2)	(2)	(2)	(2)	(2)
United Kingdom	-22.5	-22.4	(2)	-28.5	-18.9	-26.5	-22.3	-27.4	-29.6	(2)	(2)	(2)	(2)
France[3]	14.7	20.0	(2)	18.7	26.4	30.0	43.3	20.7	(2)	(2)	(2)	(2)	(2)
Italy	22.0	27.6	(2)	46.0	55.2	(2)	56.2	49.2	(2)	(2)	(2)	(2)	(2)

[1] Figures are adjusted to reflect change in U.S. Department of Commerce reporting of imports at customs value, seasonally adjusted, rather than c.i.f. value.
[2] Not available.
[3] Imports are f.o.b.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, May 21, 1997; *Main Economic Indicators;* Organization for Economic Cooperation and Development, March 1997.

U.S. trade balance,[1] by major commodity categories and by specified periods, Jan. 1994-Mar. 1997

(In billions of dollars)

Country	1994	1995	1996	1996 II	1996 III	1996 IV	1996 Oct.	1996 Nov.	1996 Dec.	1997 I	1997 Jan.	1997 Feb.	1997 Mar.
Commodity categories:													
Agriculture	19.0	25.6	26.7	5.6	5.1	7.7	2.3	3.1	2.3	5.7	2.1	2.0	1.6
Petroleum and selected product—(unadjusted)	-47.5	-48.8	-60.9	-15.6	-16.1	-16.4	-4.9	-5.6	-5.9	-18.6	-6.5	-6.5	-5.6
Manufactured goods	-155.7	-173.5	-175.9	-36.9	-52.5	-46.0	-18.1	-14.9	-13.0	-37.1	-15.4	-12.1	-9.6
Selected countries:													
Western Europe	-12.5	-10.6	-10.4	-1.9	-6.7	-5.1	-1.8	-1.3	-2.0	-.6	-1.3	.3	.3
Canada	-25.1	-18.1	-22.8	-6.5	-6.1	-5.4	-1.4	-1.8	-2.3	-4.4	-1.6	-1.4	-1.2
Japan	-66.4	-59.1	-47.6	-10.3	-11.7	-13.4	-4.9	-4.3	-4.2	-13.1	-4.2	-4.2	-4.6
OPEC (unadjusted)	-13.8	-15.7	-19.8	-4.9	-5.6	-5.2	-2.0	-1.4	-1.8	-5.5	-2.6	-1.4	1.6
Unit value of U.S.imports of petroleum and selected products (unadjusted)	$14.22	$15.83	$18.98	$18.76	$18.97	$21.49	$21.38	$21.44	$21.65	$20.37	$21.99	$20.21	$18.72

[1] Exports, f.a.s. value, unadjusted. Imports, customs value, unadjusted.

Source: *Advance Report on U.S. Merchandise Trade*, U.S. Department of Commerce, May 21, 1997.

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